

BCBSRI Fully Insured Commercial Administrative Cost Pricing

1. The following table illustrates 2010 approved and 2011 requested small and large group administrative charges (pmpm):

	2010 q3/q4 Approved		2011 Proposed		% Change	
	Small Group	Large Group	Small Group	Large Group	Small Group	Large Group
Total Estimated Member Months	749,144	1,517,318	738,079	1,532,292	-1.5%	1.0%
Total Estimated Premiums (\$pmpm)	\$449.29	\$418.89	\$481.78	\$465.00	7.2%	11.0%
Operating Expense Charge (\$pmpm)	\$50.53	\$44.55	\$51.82	\$47.96	2.6%	7.7%
Average Broker Commission (\$PMPM)	\$12.46	\$5.78	\$13.24	\$5.54	6.3%	-4.2%
Total Filed OE (\$PMPM)	\$62.99	\$50.33	\$65.06	\$53.50	3.3%	6.3%

2011 Proposed expense charges are well below our anticipated expenses at this time. Therefore allocating these charges into NAIC defined categories is not meaningful.

2. The following table details the actual administrative costs pmpm, allocated among the NAIC-approved administrative cost categories:

BCBSRI Fully Insured Commercial Administrative Cost History (Comprehensive Column)					
	2005	2006	2007	2008	2009
Total Fully Insured Member Months	3,362,689	3,393,617	3,326,346	3,049,827	2,775,423
Total Premiums	1,015,326,220	1,074,800,337	1,108,466,606	1,079,151,863	1,025,508,205
Total General Administrative Expense	81,917,481	86,531,511	100,746,665	121,463,184	132,106,574
Total Cost Containment Expense	14,512,208	14,014,454	13,626,905	13,099,379	15,908,854
Total Other Claim Adjustment Expense	25,050,767	30,331,998	33,465,022	40,796,083	50,472,000
Total Administrative Expenses	121,480,456	130,877,962	147,838,593	175,358,646	198,487,429
Total Admin Exp. Ratio	11.96%	12.18%	13.34%	16.25%	19.36%
Total Administrative Expense (\$pmpm)	\$36.13	\$38.57	\$44.44	\$57.50	\$71.52
Core System Replacement	\$0.00	\$0.00	\$0.00	\$16,300,000	\$27,847,000
Breakdown of General Administrative Expenses (\$ pmpm)					
a. Payroll and benefits	\$13.56	\$14.69	\$17.53	\$17.40	\$21.04
b. Outsourced Services (EDP, claims etc.)	\$5.98	\$6.81	\$9.28	\$8.93	\$8.62
c. Auditing and consulting	\$2.00	\$2.09	\$2.20	\$5.75	\$6.38
d. Commissions	\$5.00	\$5.43	\$5.49	\$6.06	\$6.78
e. Marketing and Advertising	\$0.91	\$0.83	\$0.81	\$0.99	\$0.89
f. Legal Expenses	\$1.04	\$0.40	\$1.02	\$0.33	\$0.25
g. Taxes, Licenses and Fees	\$0.06	\$0.14	\$0.10	\$3.68	\$7.49
h. Reimbursements by Uninsured Plans	(\$11.17)	(\$11.39)	(\$11.59)	(\$12.49)	(\$10.76)
i. Other Admin Expenses	\$6.97	\$6.50	\$5.44	\$9.18	\$6.90
Cost Containment Expense	\$4.32	\$4.13	\$4.10	\$4.30	\$5.73
Other Claim Adjustment Expense	\$7.45	\$8.94	\$10.06	\$13.38	\$18.19
Total Self Insured Member Months for all affiliated	2,312,002	2,409,639	2,474,355	2,677,918	2,448,365

* Administrative cost history ties exactly to our NAIC filings which includes Direct Pay and excludes Federal Employees

UHCNE Fully Insured Commercial Administrative Cost Pricing

	2010	2010	2011	2011	% Change	% Change
	Small Gp	Large Gp	SG	LG	SG	LG
Total Estimated MM's	61,736	165,172	61,736	165,172	-	-
Total Estimated Premium (PMPM)	358.49	359.39	\$ 394.34	\$ 395.33	10.0%	10.0%
Total General Admin Expense (PMPM)	\$54.69	\$52.24	\$58.01	\$58.26	6.1%	11.5%
Total Cost Containment (PMPM)	\$2.68	\$1.62	\$2.95	\$1.78	10.0%	9.8%
Total Other Claim Adjustment (PMPM)	\$7.30	\$7.30	\$8.03	\$8.03	10.0%	10.0%
Total Administrative Expense (PMPM)	\$64.67	\$61.17	\$68.99	\$68.07	6.7%	11.3%

Breakdown of administrative costs (\$ pmpm)

a. Payroll and benefits	12.15	12.14	\$ 12.87	\$ 13.36	5.9%	10.0%
b. Outsourced Services (EDP, claims etc.)	10.44	10.99	\$ 11.65	\$ 12.09	11.6%	10.0%
c. Auditing and consulting	1.99	1.99	\$ 2.11	\$ 2.19	6.1%	10.1%
d. Commissions	14.35	10.78	\$ 13.80	\$ 12.65	-3.8%	17.3%
e. Marketing and Advertising	0.99	0.99	\$ 1.05	\$ 1.09	6.4%	10.5%
f. Legal Expenses	0.13	0.12	\$ 0.12	\$ 0.13	-2.9%	5.0%
g. Taxes, Licenses and Fees	7.17	7.19	\$ 7.89	\$ 7.91	10.0%	10.0%
h. Reimbursements by Uninsured Plans	0.00	0.00	\$ -	\$ -		
i. Other Admin Expenses	7.48	8.04	\$ 8.52	\$ 8.84	13.9%	9.9%
Total Cost Containment (PMPM)	\$2.68	\$1.62	\$2.95	\$1.78	10.0%	9.8%
Total Other Claim Adjustment (PMPM)	\$7.30	\$7.30	\$8.03	\$8.03	10.0%	10.0%
	\$64.67	\$61.17	\$68.99	\$68.07	6.7%	11.3%

UHCNE - Fully Insured Commercial Administrative Cost History

	2005	2006	2007	2008	2009	Compound Annual Growth Rate (CAGR)
Total Fully Insured Member Months	987902	799482	677015	532154	344330	-23.2%
Total Premiums	\$286,260,853.00	\$251,326,900.00	\$218,459,198.00	\$181,049,532.00	\$120,002,265.00	-19.5%
Total General Administrative Expense	\$40,407,210	\$34,733,139	\$31,171,890	\$25,694,191	\$17,411,554	-19.0%
Total Cost Containment Expense	\$0	\$690,295	\$664,597	\$231,428	\$635,264	-2.7%
Total Other Claims Adjustment Expense	\$0	\$5,322,272	\$4,431,388	\$3,693,599	\$2,441,361	-22.9%
Total Administrative Expense	\$40,407,210	\$40,745,706	\$36,267,876	\$29,619,217	\$20,488,179	-15.6%
Total Admin Exp. Ratio	14.1%	16.2%	16.6%	16.4%	17.1%	4.9%
Total Administrative Expense (\$mpm)	\$40.90	\$50.97	\$53.57	\$55.66	\$59.50	9.8%
Breakdown of administrative costs (\$ mpm)						
a. Payroll and benefits	\$17.62	\$21.36	\$18.91	\$19.96	\$12.14	-8.9%
b. Outsourced Services (EDP, claims etc.)	\$1.21	\$1.47	\$0.15	\$0.02	\$10.99	73.8%
c. Auditing and consulting	\$0.90	\$0.61	\$2.08	\$3.09	\$1.99	21.9%
d. Commissions	\$8.67	\$8.25	\$8.17	\$8.92	\$8.56	-0.3%
e. Marketing and Advertising	\$2.32	\$1.31	\$3.78	\$1.33	\$0.99	-19.2%
f. Legal Expenses	-\$0.18	\$0.06	\$0.21	\$0.13	\$0.12	27.8%
g. Taxes, Licenses and Fees	\$2.84	\$3.42	\$5.58	\$5.74	\$7.76	28.6%
h. Reimbursements by Uninsured Plans	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	n/a
i. Other Admin Expenses	\$7.53	\$6.97	\$7.18	\$9.10	\$8.04	1.7%
Cost Containment Expense	\$0.00	\$0.86	\$0.98	\$0.43	\$1.84	28.8%
Other Claims Adjustment Expense	\$0.00	\$6.66	\$6.55	\$6.94	\$7.09	2.1%
Total Medical Self Insured Member months for all affiliated companies doing business in RI independent of license (MM's residing in the state of RI regardless of employer location)	1006561	1173628	1136423	1130328	1045239	0.9%

*Note: Methodology changes occurred within the 2009 process after further review of payroll vs outsourced expenses

Tufts Associated Health Maintenance Organizations, Inc. and Tufts Insurance Company
2010 Approved and 2011 Requested Administrative Costs

	2010 Proposed		2011 Proposed		% Change	
	Small Group	Large Group	Small Group	Large Group	Small Group	Large Group
Total Estimated Member	35,942	56,738	37,020	58,440	3.0%	3.0%
Total Estimated Premium (\$PMPM)	\$ 371.98	\$ 441.53	\$ 409.38	\$ 482.94	10.1%	9.4%
Total Administrative Cost PMPM	\$53.30	\$53.30	\$63.24	\$63.24	18.7%	18.7%
Breakdown of Administrative Costs (\$ PMPM)						
a. Payroll and Benefits	\$15.05	\$15.05	\$12.92	\$12.92	-14.1%	-14.1%
b. Outsourced Services	\$3.52	\$3.52	\$3.02	\$3.02	-14.1%	-14.1%
c. Auditing and Consulting	\$4.65	\$4.65	\$3.99	\$3.99	-14.1%	-14.1%
d. Commissions	\$12.30	\$12.30	\$16.69	\$16.69	35.7%	35.7%
e. Marketing and Advertising	\$1.75	\$1.75	\$1.50	\$1.50	-14.1%	-14.1%
f. Legal Expenses	\$0.12	\$0.12	\$0.10	\$0.10	-14.1%	-14.1%
g. Taxes, Licenses and Fees	\$8.20	\$8.20	\$7.04	\$7.04	-14.1%	-14.1%
h. Reimbursements by Uninsured Plans	\$0.00	\$0.00	\$0.00	\$0.00		
i. Other Administrative Expenses	\$7.71	\$7.71	\$6.62	\$6.62	-14.1%	-14.1%
Total cost Containment Expense	N/A	N/A	\$4.90	\$4.90	N/A	N/A
Total Other Claim adjustment Expense	N/A	N/A	\$6.45	\$6.45	N/A	N/A
	\$53.30	\$53.30	\$63.24	\$63.24		

Notes:

1. An 8% administrative expense is assumed consistent with a fully mature block of business. The actual projected cost would be higher due to the start-up costs.
2. The total administrative cost increase 18.6% is driven by broker commission increases, premium taxes, and percentage of premium expense are higher due to premium increases.
3. Broker Commissions were increased from 3% to 3.5%-4% in 2011 based on the membership mix and the graduated commission payment scale.
4. The cost containment and other claim adjustment expense were embedded in all categories in the last filing, therefore there is no baseline for comparison for these two items.
5. Since the cost containment and other claim adjustment expense are now split from all other expense categories, and explicitly listed in this filing, there are reductions to all other expense categories except commissions.
6. The expenses by category listed here are based on a bid view, which is different than the filing view as shown in question 2.

Tufts Associated Health Maintenance Organizations, Inc. and Tufts Insurance Company
Actual Calendar Year 2009 Fully Insured Commercial Administrative Costs

	2009 Filing
FI MM	37,616
Total Premiums	\$ 13,592,100
Total general administrative expense	\$ 2,122,291
Total cost Containment expense	\$ 200,430
Total othe claim adjustment expense	\$ 263,773
Total Administrative Expenses	\$ 2,586,494
Total Admin Exp Ratio	19.0%
Total Administrative Expense PMPM	\$ 68.76
Breakdown of general adm expense	
payroll and benefits	\$ 3.37
outsourced services	\$ 0.01
Auditing and consulting	\$ 5.92
Commissions	\$ 17.44
Marketing and Advertising	\$ 2.52
Legal Expenses	\$ 0.08
Taxes, Licenses and Fees	\$ 1.30
Reimbursements by Uninsured Plans	\$ -
Other Admin Expenses	\$ 25.77
Cost containment expenses	\$ 5.33
Other Claim Adjustment Expense	\$ 7.01
Total Self Insured Member Month	113,694